



NEWS RELEASE

County of Los Angeles

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Apr. 15, 2002

COUNTY FEELING STING OF RECESSION

State funding cuts, a shortfall in statewide sales tax revenue, and increased costs in operations will lead to cutbacks in government services provided by Los Angeles County in the coming fiscal year, Chief Administrative Officer David Janssen said today.

Cutbacks are expected in sheriff, welfare, health, probation, mental health and library programs.

Janssen's comments came as he unveiled the proposed budget for 2002-03, which the Board of Supervisors will officially receive Tuesday. The Board will take public testimony on the budget beginning May 15 and then conduct their deliberations in June.

The \$16.277 billion proposal represents a \$205 million decrease from the current budget and eliminates 2,342 positions. Layoffs, however, are not expected due to existing vacancies and attrition.

Cuts needed to solve the Health Services Department's financial problems are not addressed in Janssen's proposal. Health Director Thomas Garthwaite, appointed in February, is scheduled to make his own proposal to the Board in June.

Janssen used \$272.6 million from the department's reserves as a placeholder to balance the budget until Garthwaite can identify where the cuts in next year's budget will be made.

The fluctuations in utility costs that created uncertainty in the current year have stabilized, and, in fact, expenditures for natural gas are expected to drop by nearly \$40 million. But soaring costs in workers compensation cases -- due in part to increased benefits approved by the Legislature for public safety employees -- are a major concern. The CAO expects the costs in the coming year to increase over last year's budget by approximately \$60 million for a total of \$295 million.

Janssen said the County expects to receive \$57 million less than it spends in the coming year so he balanced the budget by using one-time funding from available reserves.

He chose to take this less drastic step instead of proposing additional cuts, he said, because the local economy is improving and he believes the state and national economies will begin to recover in the near future.

Though the amount of the reductions are known, the specific programs affected in many cases are still being identified. The departments with the reduced funding will be presenting their plans in the coming weeks, said Janssen.

Among the proposals by Gov. Gray Davis impacting the County are:

- Freezing funding for a welfare jobs program, resulting in \$100 million less to the Department of Public Social Services.
- Increasing an administrative fee, reducing Disproportionate Share Hospital revenues to the Department of Health Services by \$11.2 million.
- Discontinuing an appropriation for trauma care, a loss of \$6.8 million.
- Reducing appropriations to local libraries, a \$1.1 million hit.

Janssen said even with proposed cuts that have been announced, the state budget still has a large shortfall, so the County may be faced with other reduced revenues. "We will continue over the next several months to work to ensure that the state budget is not balanced on the back of local government," he said.

Among the departments hardest hit are:

- The Probation Department, facing a \$10 million shortfall primarily due to a 40 percent increase in workers compensation costs and disability benefits extended to probation peace officers under state legislation, proposes to close one camp, eliminate the work furlough program, and reduce juvenile and adult supervision services. It expects to eliminate 122 positions.
- The District Attorney's Office, also experiencing higher costs for workers compensation, long-term disability and retiree health insurance, plans to curtail \$6.5 million by deleting 70 positions for various crime and prevention programs, welfare and elder abuse fraud services.
- The Sheriff's Department, also the victim of higher workers compensation costs and two major legal settlements, must come up with a plan to cut costs by \$49.6 million. The proposed budget identifies the reductions to be made in curtailment of services and supplies, but the department will be providing other options.
- The Public Library, contending with at least a \$7 million shortfall attributable to depletion of its fund balance, relatively flat growth in locally generated revenues and reduction in state assistance, is considering reducing its service hours and consolidating or closing facilities.
- The Department of Public Social Services is faced with elimination of 2,086 positions and reduction in expenditures for substance abuse and mental health services; and food stamp, Medi-Cal and Adult Protective Services programs, primarily due to a \$100 million deficit in the CalWorks welfare program.
- The Department of Mental Health must close a \$73.1 million gap. It is proposing to save \$23.4 million by reducing pharmaceutical purchases and utilization of state hospital beds, \$16.8 million by increasing revenues from Medi-Cal and third-party payers, and curtailment of \$32.9 million in yet-identified program services affecting community outreach and indigent clients.
- The Fire Department is facing a potential loss of \$11 million annually and will have to make curtailments if full funding doesn't materialize by July 1.

There is increased funding for at least one department. The Department of Children and Family Services is expecting \$34.5 million in additional state and federal revenue and 42 additional employees to handle information technology, transportation and public health activities.

Approximately \$481 million is recommended for high-priority capital improvement projects, \$292 million of which is offset by revenue.

Among the projects being recommended are:

-- \$147.8 million for the renovation and expansion of the Long Beach Courthouse; improvements to fire stations in high-growth areas; construction of new housing units at Central and Los Padrinos Juvenile Halls; construction of new sheriff stations in Palmdale, San Dimas, and a site yet determined in southwest Los Angeles; expansion of the Coroner's autopsy and laboratory facilities; and relocation of the Sheriff's Special Enforcement Bureau.

-- \$120.7 million for construction or refurbishment of community centers, gymnasiums, athletic fields, trails and landscaping of parks and beaches.

-- \$86.8 million for the seismic retrofit of hospitals, design of a replacement inpatient facility at Rancho Los Amigos National Rehabilitation Center in Downey, and the initiation of construction of the new LAC+USC Medical Center.

-- \$38.2 million for improvements to government facilities, including the redevelopment of the East Los Angeles Civic Center, design of a county data center, redevelopment of El Pueblo de Los Angeles, and construction of the Altadena Community Center.

-- \$44.7 million for improvements to county airports and construction of transit and infrastructure maintenance facilities.

-- \$17.6 million for the reconfiguration of MacLaren Children's Center in El Monte, the development of new libraries, and the construction of child-care centers.

The proposed budget would bring the total number of budgeted positions to 93,354, maintaining the County's ranking as the largest employer in the five-county region.